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C O N F I D E N T I A L SECTION 01 OF 02 DUBLIN 000353

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SUBJECT: TERRORISM FINANCE: 2005 UPDATE NO. 2

REF: A. STATE 32688

1B. DUBLIN 254
1C. DUBLIN 310

Classified By: POL/ECON CHIEF MARY DALY, FOR REASONS 1.4 (B), (D)

(C) Post welcomes the opportunity to provide input about Ireland's efforts to combat terrorism finance (TF). The answers below are keyed to ref A para 10 questions:

1A. Since the publication of European Council Regulation No. 881/2002 (the EU regulation mechanism corresponding to UNSCR 1267), Ireland has frozen seven accounts belonging to five individuals. Under Council Regulation No. 2580/2001 (corresponding to UNSCR 1373), Ireland has frozen the account of one individual. The aggregate value of funds frozen under these two Regulations is approximately euro 90,000. No additional domestic actions were taken against these individuals. In discussions with emboffs, Department of Finance (DOF) and Central Bank officials said that no accounts were frozen under either Regulation in 2004. They added that suspects in terrorism financing (TF) schemes, in order to escape detection from ever-increasing scrutiny, have diversified financial exchanges away from banks and into 'informal banking,' such as Halawa, charities and insurance transactions. According to the officials, in response to these forms of alternative banking that have become popular with Ireland's growing immigrant population, the DOF and Central Bank are in the process of developing new authority to supervise such transactions.

1B. Irish officials have cited lack of information-sharing as the biggest impediment to Irish co-sponsorship of designations. In a number of meetings, DFA officials have charged the USG with providing only assertions, allegations, and limited details, rather than the 'smoking gun' of evidence. DOF/Central Bank officials added that delays in identifying suspected terrorism financiers, as well as problems in certifying the suspects' identities, are hindrances to the freezing of assets. Another issue recently raised was that of procedure. Regarding the March 1 oral demarche on Hizballah designation, DFA officials told emboffs (ref B) that presenting evidence orally was procedurally questionable and could possibly be ruled out of order in EU Clearinghouse discussions.

1C. Regarding willingness to accept USG training and technical assistance, GOI officials suggested that training programs for police would be most pertinent. With the passage of the Criminal Justice (Terrorism Offenses) Act on March 8th, (ref C) police have new authorities and are developing strategies for targeting and seizing the assets of suspected terrorists. DOF and Central Bank officials expressed interest in USG seminars but acknowledged that they are already regular participants in EU seminars and training programs on TF.

1D. The risk of Ireland becoming a site for significant fund-raising or banking services for terrorists is low, notwithstanding a growing population of immigrants with ties to the Middle East. First, Ireland coordinates well internally among domestic government departments and with financial institutions on TF issues. Second, Ireland has demonstrated a strong willingness to cooperate internationally and has implemented all forty Financial Action Task Force (FATF) recommendations along with the eight Special Recommendations. Third, Ireland's new Terrorism Offenses Act is a powerful tool to combat TF and also opens the door to ratifying the four remaining UN Conventions/Protocols on terrorism. According to a DOJ official, this new law is unique in that it targets proceeds or finances of crime/terrorism instead of the suspects. The law builds on the 1994 Proceeds of Crime Act, which allows senior police officials, who are satisfied that a person is using funds for illegal activities, to apply directly to courts to freeze the funds. In this manner, the funds or proceeds of criminal activity (and now terrorism) will be targeted, even while evidence against the individual may be

insufficient to charge or prosecute him. If the court is satisfied that circumstances warrant freezing, it will, in theory, order seizure of assets for 40 days. During this period, police must apply for an 'interlocutory' order, freezing the assets for seven years. Suspects have right of appeal to reclaim their assets, but must prove a legitimate claim to and use of those assets. Any proceeds beyond this period revert to the State. The new legislation, following on the successful use of the Proceeds of Crime Act to freeze ill-gotten assets, puts the onus on the suspect to prove how he obtained and plans to use unexplained assets.

BENTON